Slide #	Commentary
	Bruce Thomas
1	Thank you, Operator. Good afternoon and welcome to Encore Capital Group's fourth quarter 2016 earnings call. With me on the call today are Ken Vecchione, our President and Chief Executive Officer, Jonathan Clark, Executive Vice President and Chief Financial Officer, Ashish Masih, President of Midland Credit Management, and Paul Grinberg, International Group Executive. Ken and Jon will make prepared remarks today, and then we will be happy to take your questions.
2 (Safe Harbor)	Before we begin, we have a few housekeeping items. Unless otherwise noted, all comparisons made on this conference call will be between the fourth quarter of 2016 and the fourth quarter of 2015. Today's discussion will include forward-looking statements subject to risks and uncertainties. Actual results could differ materially from these forward-looking statements. Please refer to our SEC filings for a detailed discussion of potential risks and uncertainties. During this call, we will use rounding and abbreviations for the sake of brevity. We will also be discussing non-GAAP financial measures. Reconciliations to the most directly comparable GAAP financial measures are included in our earnings presentation, which was filed on Form 8-K earlier today. As a reminder, this conference call will also be made available for replay on the Investors section of our website, where we will also post our prepared remarks following the conclusion of this call. With that, let me turn the call over to Ken Vecchione, our President and Chief Executive Officer.

	Ken Vecchione
3 (Intro/ Encore Update)	Thanks, Bruce, and good afternoon everyone. When looking back over the past year, the industry looks much different today than it did in the first half of 2016. At the beginning of last year, you may recall that pricing was stable - although elevated at 2015 levels - and supply was projected to remain flat or grow modestly year over year. As we approached mid-year, industry sentiment began to change course as pricing declined and supply improved. Toward the end of 2016, we could point to industry growth of greater than 15%, with corresponding 15% pricing declines. These pricing and supply dynamics give confidence to projected higher returns in 2017. Reflecting on this past year and looking forward to the future, we believe industry volume will continue to improve as issuers have indicated in their recent earnings commentary that delinquencies and charge-offs are expected to rise. In a broad sense, we are an investment business with an operating platform and we conduct our business in cyclical markets: • During the last several years we have reaped the benefits of purchasing high money multiple and IRR portfolios, particularly from the 2008 through 2011 vintages. • Portfolio purchases made in 2014 and 2015 experienced the impact of elevated pricing and muted supply, which together pushed purchase price multiples and IRR's to lower levels. • Starting in 2016 and continuing now into 2017, both returns and purchase price multiples have begun to rise again.

3 (Intro/ Encore Update) Continued	Against this cyclical backdrop, we remain committed to our "Connect with the Consumer" programs, our analytical rigor, and pricing discipline. In the fourth quarter, Encore continued to see the favorable trend of lower pricing and higher volume in the U.S. market. We believe the turn we've been seeing in the industry cycle continues to progress as pricing and supply are better than they were last year at this time. In addition, our consumer-centric liquidation programs continue to help drive better returns. As we look at the competitive landscape, we feel we are well positioned to take advantage of a number of emerging opportunities. We also feel that there are many characteristics in the current environment that will create barriers to entry to new or returning market participants. During today's call, I'll talk about how we're positioning Encore to make the most of our current opportunities and taking specific actions aimed at maximizing our return on capital. I'd like to begin today's presentation by reviewing Encore's domestic business…

4 (U.S. Market)	Consistent with recent trends, we continue to see favorable buying conditions in the U.S. market as pricing discipline persists. After several years of our market experiencing flat to modest growth, we estimate that the available market in the U.S. grew greater than 15 percent in 2016 with the fresh segment growing at a greater pace than older seasoned paper. Based upon current industry trends and reported commentary from issuing banks, we expect the face value of charged-off balances to grow at a double-digit pace in 2017 than last year. Total outstanding credit cards just reached a trillion dollars, and we are forecasting growth will continue over the longer term as issuers grow their loan portfolios and loss rates continue to rise. This pattern has traditionally been a leading indicator for future supply growth and improving purchasing opportunities. A number of factors are driving the increase in supply and corresponding higher returns. First, we believe the issuers are becoming capacity constrained, and are therefore selling more. In fact, at a time in the cycle when we would expect issuers to be adding in-house collections capacity, we're actually seeing some of them doing the opposite. We'll be adding operational capacity in 2017 to take advantage of this opportunity. I'll have more to say about the expenses involved with the capacity expansion shortly. In addition to the premium on collection capacity, there are fewer qualified buyers for the larger purchasing opportunities in the U.S. Because there have been more buying opportunities in the market, it appears that capital amongst some of our competitors is being consumed. This provides an advantage to those with capital to buy at a better price. In this regard, we believe that we are well-positioned.

4 (U.S. Market) Continued	Injection of new capital in the market from new sources faces real challenges, due to the high cost of compliance, the persistent, demanding regulatory environment, and the significantly different collection techniques that are now required compared to those employed in the past. While all these trends are moving in a favorable manner, it will take time for us to move back to the higher returns that we saw in the pre-2011 vintages. But from where we sit today, it looks like the cycle has turned and we are headed in a favorable direction. We expect the evolution of this cycle to take time - and to have favorable impact in coming years. We are increasingly taking advantage of larger buying opportunities in the market, already having committed more than $200 million toward forward flow commitments in 2017, with higher returns than last year. Better returns are being driven by lower pricing as well as continued improvements in our liquidations. Over time we've mentioned our multi-year initiative aimed at improving first-year liquidations by 50 percent. We remain on track to achieve this performance level before the end of 2017, despite the significant regulatory headwinds that the industry has weathered in recent years.

5 (2017 Expectations)	Industry followers know that expenses precede liquidation. Starting in the back half of 2016, we found increased opportunities to deploy incremental capital at attractive returns. Some of these opportunities were in lower balance portfolios that resulted in higher account volume. These portfolios contain more accounts per dollar deployed and generate increased expenses from account manager hiring, legal placements, and letter volumes. In 2017 you'll see us hire additional account managers to address this volume increase and to build capacity for future opportunities. We expect account manager hiring and legal spend associated with this incremental account volume to add approximately $20 million of additional expenses in 2017, creating near-term earnings headwind. Our fundamental focus on IRR's is the right strategy to maximize long-term profitability and ROIC. In summary, in 2016, we deployed over $560 million in the U.S., up approximately $55 million from the prior year. We're taking advantage of purchasing more volume at better returns and in investing early in the lifecycle to maximize our opportunity. We are constructive on the U.S. market as we expect to see higher delinquencies and more volume facing off against limited issuer collections capacity. Let's now turn our focus to our International business…

6 (Cabot IPO)	As many of you know, by prior agreement, the window opens in July of this year for our Cabot investment partner – J.C. Flowers – to begin an exit process for their ownership stake in Cabot. Over the joint ownership period, we believe we have created incremental equity value at Cabot through entering the new markets of Spain, France and Portugal, through market consolidation, and in maintaining our leading market share position in the U.K. With that in mind, JCF and Encore have begun exploring an initial public offering of Cabot, which we believe will help crystalize the value creation of our European franchise. We are in the very early stages of this process, but we believe that it could be completed as early as the back end of 2017. We don't expect to provide further comment for some time to let the process run its course.

7 (International)	The U.K. market is generally slow in the first quarter of the year. Nevertheless, we anticipate having a better-than-average quarter with respect to deployments in Europe. There has been much debate around the U.K.'s decision to exit the E.U., we are monitoring this closely and so far we have not seen any impact on our collections performance. While the U.K. market is among the most sophisticated, we continue to leverage learnings from other markets to our benefit there. Elsewhere, we continue to invest in Latin America, monitoring our R&D investments in Brazil and Mexico as we pursue long-term growth opportunities. In India, after a lengthy period of preparation and regulatory review, Encore's Asset Reconstruction Company – or EARC – is positioned to begin operating during the first half of 2017. The India market shows great promise, and we believe being patient and working our way into the market is the prudent course of action. We plan to test into the market through the EARC, making smaller initial capital deployments as we invest in its infrastructure and work through early challenges. As we learn, we will grow. We expect these additional costs will create an approximate $0.05 drag on earnings in 2017.

8 (Regulatory)	Turning back to current events in the United States, the new administration has raised questions about the impact of federal regulations on the financial services industry. No matter how regulatory agendas take shape, we remain committed to the compliance and risk management principles we've advanced over several years. Sellers remain focused on managing reputational risk, and continue to push high levels of consistency in standards governing consumer interactions. Encore's high levels of compliance and sophistication, as well as our culture of fair consumer treatment, provide sellers a clear path to achieving their goals. This is a good and necessary emphasis for the continued long-term growth and maturity of the U.S. market. I'll now turn it over to Jon, who will go through the financial results in more detail. Jon…

	Jonathan Clark
9 (Detailed Financial Discussion)	Thank you, Ken. Before I go into our financial results in detail, I would like to remind you that, as required by US GAAP, we are showing 100 percent of the results for Cabot, Grove, Refinancia and Baycorp in our financial statements. Where indicated, we will adjust the numbers to account for non-controlling interests.

10 (Q4 Results)	Turning to Encore's results in the fourth quarter, Encore earned GAAP net income from continuing operations of $22 million, or $0.85 per share. Adjusted income was $19 million or $0.72 per share. Our GAAP net income was larger than our adjusted income in the fourth quarter after we reversed a reserve for an unrealized earn-out associated with one of our smaller acquisitions. Without the impact of foreign exchange headwinds in the quarter, our Economic EPS would have been 3 cents higher. Cash collections in the quarter were $397 million, compared to $417 million a year ago. And our ERC at year's end was $5.8 billion.
11 (2016 Results)	For the year, GAAP net income of $79 million, or $3.05 per share was impacted by the allowance charges associated with our European business in the third quarter. We collected nearly $1.7 billion in 2016, which was approximately the same as last year's total, despite the historic movement in the value of the pound versus the U.S. dollar. Let's now take a closer look at some of the underlying financial metrics…

12 (Q4 and 2016 Deployments)	Deployments totaled $210 million dollars in the fourth quarter. In the United States, the majority of our $148 million dollars of deployments represented charged-off credit card paper, with nearly 85 percent comprised of fresh accounts. European deployments through Cabot and Grove totaled $42 million dollars during the fourth quarter with the majority attributed to portfolio purchases in the U.K. and Spain. We deployed $20 million dollars in other geographies in the fourth quarter, including purchases in Australia and in Latin America. Overall in 2016, Midland deployed $562 million in the U.S., up 11% - or $55 million dollars, when compared to 2015, reflecting improved U.S. market conditions. For the full year of 2016, Encore capital deployment reached $907 million.
13 (Q4 Collections)	Worldwide collections were $397 million dollars in the fourth quarter, compared to $417 million a year ago. In constant currency terms, collections grew 1 percent in the quarter. Encore's collections declined in the U.S., primarily as a result of the delays we have been experiencing in legal collections mentioned a quarter ago. Although we had encountered delays through Q3 of 2016 in both collections and expenses, we have now ramped back up to a more typical legal collections run rate. We remain confident that the majority of legal collections delayed in 2016 will be shifted to 2017 with no material impact to revenue.

14 (2016 Collections)	Globally, we collected \$1.69 billion dollars in 2016, on par with the \$1.7 billion dollars we collected in 2015. In constant currency terms, collections grew 3 percent on a year-over-year basis. In 2016, collections from our international businesses comprised 36 percent of our total collections, compared to 31 percent of our total collections in 2015.

15 (Q4 Revenue)	Revenue in the fourth quarter was \$271 million dollars compared to \$291 million dollars a year ago. On a constant currency basis, revenue would have been \$289 million in the fourth quarter, which would have been essentially flat compared to the prior year. Domestic revenues were down 4% compared to the same quarter last year, as we continue to see the impact of higher multiple portfolios rolling off our books. We recorded \$3 million dollars of domestic net portfolio allowance reversals in Q4. In the fourth quarter, we increased domestic yields primarily in the 2011 through 2014 vintages as a result of sustained over-performance by pools within those vintages. Encore generated \$38 million of zero-basis revenue in Q4, compared to \$32 million in the same period a year ago. Encore's prudent accounting approach contributes to generating zero-basis revenues, which are highly predictable and provide Encore with a valuable long-term revenue stream.

16 (2016 Revenue)	Revenue for the full year of 2016 was $1.03 billion dollars, compared to $1.13 billion dollars of revenue we generated in 2015, with the difference largely driven by the European portfolio allowance charge we took in the third quarter and the change in value of the pound versus the US dollar. In constant currency terms, revenues declined 6 percent year-over-year.
17 (ERC)	Our Estimated Remaining Collections, or ERC, at December 31 was $5.8 billion dollars, up $129 million, representing an increase of 2 percent compared to the end of 2015. In constant currency terms, our ERC grew 12 percent on a year-over-year basis.
18 (Q4 EPS Walk)	In the fourth quarter, we recorded GAAP earnings from continuing operations of $0.85 per share. In reconciling our GAAP earnings to our adjusted earnings, add-back adjustments totaled 43 cents. In addition, we realized a 31-cent gain on reversing an earn-out reserve mentioned earlier. After applying the income tax effect of the adjustments and adjusting for non-controlling interest, we end up with $0.72 per fully diluted share, and our non-GAAP Economic EPS was also $0.72. Because our shares traded at an average price below the initial conversion prices of our convertible debt during the quarter, we did not exclude any shares from the calculation of our Economic EPS.

19 (2016 EPS Walk)	There were also certain items that affected our full-year 2016 results. After making all of the adjustments, we end up with adjusted income of $3.48 per fully diluted share, and our non-GAAP Economic EPS was also $3.48. Without the impact of foreign currency exchange rates, we would have earned one additional cent of economic EPS in 2016.
20 (Debt and Debt Ratios)	Our consolidated debt to equity ratio at December 31, 2016 was 4.65 times. Considering this ratio without Cabot, our debt to equity ratio was 2.27 times, which is less than half of the consolidated ratio. It is important to remember that we fully consolidate Cabot's debt on our balance sheet because we have a 43 percent economic interest in Cabot and we control their board. Nonetheless, Cabot's debt has no recourse to Encore. Consequently, Encore is far less levered than our financials would indicate. Available capacity under Encore's revolving credit facility, subject to borrowing base and applicable debt covenants, was $204 million as of December 31, 2016, not including the $250 million additional capacity provided by the facility's accordion feature. I would also like to remind everyone that we amended and extended our domestic credit agreement in December, providing us with considerably more financial flexibility. With that, I'd like to turn it back over to Ken.

	Ken Vecchione
21 (Summary)	Thanks, Jon. To summarize, we believe supply in the U.S. could outpace available industry capital, presenting a favorable purchasing environment. We're adding call center capacity and increasing legal channel spending to accommodate recent purchases and to get ahead of demand. These early investments will drive near-term earnings pressure but will improve returns over the longer term. The U.S. market for charged off receivables continues to be favorable for the few remaining qualified large debt buyers and our liquidation improvement programs are helping to drive higher returns. We believe Cabot's equity value has grown since our purchase in 2013. Consequently, Encore and J.C. Flowers have begun exploring an initial public offering for Cabot. Our EARC business in India will launch operations sometime in the first half of 2017.
22 (Q&A Session)	Now we'd be happy to answer any questions that you may have. Operator, please open up the lines for questions.
22 (Sign Off)	That concludes the call for today. Thanks for taking the time to join us and we look forward to providing our first quarter 2017 results in May.